

Message Text

CONFIDENTIAL

PAGE 01 EC BRU 04530 071323Z

45

ACTION EUR-25

INFO OCT-01 IO-13 ADP-00 EURE-00 SSO-00 INRE-00 NSCE-00

USIE-00 AGR-20 SS-15 L-03 H-03 NSC-10 AID-20 CEA-02

CIAE-00 COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01

CIEP-02 STR-08 TRSE-00 LAB-06 SIL-01 OMB-01 DODE-00

PA-03 PRS-01 RSR-01 /159 W

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O P 071215Z AUG 73

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC IMMEDIATE 5635

INFO AMEMBASSY BONN PRIORITY

AMEMBASSY BRUSSELS UNN

AMEMBASSY COPENHAGEN PRIORITY

AMEMBASSY DUBLIN PRIORITY

AMEMBASSY THE HAGUE PRIORITY

AMEMBASSY LONDON PRIORITY

AMEMBASSY LUXEMBOURG PRIORITY

AMEMBASSY PARIS PRIORTITY

AMEMBASSY ROME PRIORITY

USMISSION GENEVA PRIORITY

USMISSION OECD PARIS PRIORITY UNN

C O N F I D E N T I E A L EC BRUSSELS 4530

PASS AGRICULTURE

E.O. 11562: NA

TAGS: EAGR ETRD EEC

SUBJ: EC EXPORT CONTROLS ON SOFT WHEAT;

REF: (A) SCHROETER/FRASER-FAS TELECON AUG 7;

(B) EC BRUSSELS 2981; (C) EC BRUSSELS 4505;

(D) EC A-295.

1. MICHAEL FRANLIN, A DEPUTY DIRECTOR GENERAL IN THE

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 EC BRU 04530 071323Z

COMMISSION'S AGRICULTURAL DIRECTORATE, CALLED US LATE IN THE

DAY ON AUGUST 6 TO ADVISE THAT THE COMMISSION HAD JUST AGREED, SUBJECT TO FORMALIZING THE DECISION, TO SUSPEND THE ISSUANCE OF EXPORT CERTIFICATES FOR SOFT WHEAT. (A FORMAL DECISION EFFECTIVE AUGUST 7 WAS IN FACT MADE SHORTLY AFTER OUR TALK WITH HIM. IT APPLIES TO ALL SOFT WHEAT BUT NOT TO WHEAT FLOUR.) FRANKIN SAID THAT LARDINOIS HAD ASKED HIM TO CONVEY THIS INFORMATION TO THE MISSION "EVEN THOUGH THE MEMBER STATES HAVE NOT YET BEEN INFORMED". WE PASSED THE WORD TO WASHINGTON IMMEDIATELY (REF A.).

2. FRANKIN EXPLAINED THAT THE DECISION TO SUSPEND THE ISSUEANCE OF CERTIFICATES WAS PROMPTED BY AN EXTREMELY LARGE DEMAND FOR THEM. BETWEEN FRIDAY, AUGUST 3, AND MONDAY, AUGUST 6, CERTIFICATES WERE ISSUED FOR OVER ONE MILLION TONS OF SOFT WHEAT INCLUDING FLOUR. THESE CERTIFICATES ARE VALID FOR 30 DAYS. (IN THE ENTIRE MONTH OF AUGUST 1972, EXPORT CERTIFICATES WERE ISSUED FOR ABOUT 700,000 TONS OF WHEAT. AGRA-EUROPE REPORTS THAT EC EXPORTS OF SOFT WHEAT IN 1972/73 TOTALED 3.5 MILLION TONS.)

3. ACCORDING TO FRANKON, LARDINOIS ATTRIBUTES THE UNUSUALLY LARGE DEMAND FOR CERTIFICATES TO SPECULATIVE ACTIVITY. LARDINOIS REPORTEDLY FEARED THAT, IF THIS SPECULATION WAS ALLOWED TO CONTINUE, EXPORT SALES COULD REACH SUCH MAJOR PROPORTIONS AS TO JEOPARDIZE THE COMMUNITY'S ABILITY TO MEET ITS FOOD AID COMMITMENTS--NOT TO MENTION DOMESTIC NEEDS. LARDINOIS FELT COMPELLED TO COUNTER THIS SPECULATION BY COMPLETELY STOPPING THE ISSUANCE OF EXPORT CERTIFICATES. FRANKLIN SAID THAT THIS ACTION WOULD GIVE THE COMMISSION A BREATHING SPELL IN WHICH TO TAKE STOCK OF THE SITUATION. FRANKLIN SAID THE COMMISSION DOES NOT KNOW THE PRESUMED DESTINATIONS OF THE MILLION TONS OF WHEAT COVERED BY THE CERTIFICATES.

4. FRANKIN SAID HE DID NOT KNOW HOW LONG IT MAY BE NECESSARY TO REFRAIN FROM ISSUING NEW CERTIFICATES. BUT HE HOPED THAT IT WOULD NOT BE FOR A LENGTHY PERIOD. HE INDICATED THAT WHEN CERTIFICATES ARE AGAIN ISSUED IT MAY BE NECESSARY TO ESTABLISH EXPORT LEVIES.

5. FRANKLIN EXPRESSED DEEP CONCERN OVER THE OVERALL GRAIN SUPPLY AND DEMAND OUTLOOK IN THE SHORT TERM. WE SURMISE THAT A

CONFIDENTIAL

PAGE 03 EC BRU 04530 071323Z

PART OF HIS CONCERN IS THAT, WITH EC WHEAT EXPORTS BLOCKED, THE RECENT SPECULATIVE ACTIVITY IN THE US COULD BE INTENSIFIED. THIS CONCERN WOULD APPEAR TO BE THE REASON FOR HIS EXPRESSED INTEREST IN BEING INFORMED OF THE PRELIMINARY REACTION IN WASHINGTON TO THE COMMISSION ACTION. WE ARE SCHEDULED TO MEET AGAIN WITH FRANKLIN ON AUGUST 10. IF THERE IS ANY INFORMATION WE CAN GIVE HIM, WE WOULD APPRECIATE BEING ADVISED NO LATER THAN OPENING OF BUSINESS AUGUST 10. IN CASE OF URGENT DEVELOPMENTS, WE WOULD ENDEAVOR

TO GET WORD TO THE COMMISSION AT ANY TIME.

6. THE EC EXPORT CONTROLS ON SOFT WHEAT FOLLOW THE ESTABLISHMENT
OF IDENTICAL CONTROLS ON RICE (REF B) AND DURUM WHEAT (REF C).
GREENWALD

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